

## Message Text

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PLEASE PASS ASS'T SEC'Y HOLBROOKE OOB MONDAY

E.O. 11652: N/A

TAGS: EFIN, EGEN, FR

SUBJECT:REQUEST FOR PAPERS: SUMMARY OF US-JAPAN TRADE  
STUDY

1. THE FOLLOWING FOR YOUR USE IN ECONOMIC DISCUSSIONS ARE  
KEY POINTS IN THE SUMMARY OF "US-JAPAN TRADE" PAPER  
PREPARED BY STR.
2. JAPAN'S TRADE PERFORMANCE HAS MADE A NOTEWORTHY RECOVERY  
FROM THE DETERIORATION WHICH OCCURRED IN 1973 AND 1974.
3. THE STRONG IMPROVEMENT IN JAPAN'S OVERALL TRADE PER-  
FORMANCE HAS BEEN HEAVILY CONCENTRATED IN PARTICULAR  
REGIONS AND IN PARTICULAR PRODUCTS.

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4. OVER 90 PERCENT OF JAPAN'S EXPORTS ARE MANUFACTURES.  
IN CONTRAST, ABOUT 20 PERCENT OF IMPORTS ARE MANUFACTURES,  
ABOUT 43 PERCENT ARE MINERAL FUELS AND THE REMAINING  
37 PERCENT ARE FOOD STUFFS AND NON-FUEL INDUSTRIAL RAW  
MATERIALS. REFLECTING THE OVERWHELMING DOMINANCE OF  
MANUFACTURES IN JAPAN'S EXPORTS AND OF INDUSTRIAL RAW  
MATERIALS IN HER IMPORTS, THE IMPROVEMENT IN JAPAN'S TRADE

PERFORMANCE WITH THE DEVELOPED COUNTRIES HAS BEEN STRONGLY CONCENTRATED IN FINAL PRODUCTS.

5. IN THE FACE OF WEAK GLOBAL ECONOMIC RECOVERY, THE GROWTH IN JAPAN'S TRADE SURPLUS WITH OTHER OIL IMPORTERS AND THE CONCENTRATION OF HER TRADE SURPLUS IN MANUFACTURES ARE THE TWIN FOUNDATIONS OF THE TRADE FRICTIONS WHICH HAVE DEVELOPED BETWEEN JAPAN AND HER TRADING PARTNERS.

6. ITS EXPORTS ARE CONCENTRATED IN MANUFACTURES WHICH COMPETE WITH DOMESTIC PRODUCTION AND EMPLOYMENT WITH THE EC AND U.S. THEY HAVE ALSO OCCURRED AT A TIME OF WEAKNESS IN THEIR ECONOMIC RECOVERIES, GENERATING PROTECTIONIST PRESSURES WHICH MUST BE FORESTALLED.

7. A NUMBER OF MORE PURPOSIVE POLICY DEVELOPMENTS COULD REDUCE TRADE TENSIONS.

8. TRADE FRICTIONS ASSOCIATED WITH JAPAN'S LOW LEVEL OF IMPORTS OF MANUFACTURES FROM THE INDUSTRIALIZED COUNTRIES ARE NOT LIKELY TO BE RESOLVED IN THE SHORT RUN BY FISCAL EXPANSION, BECAUSE OF THE LOW PERCENTAGE OF MANUFACTURES IN JAPAN'S TOTAL IMPORTS. TARIFF AND NON-TARIFF BARRIERS ON IMPORTS OF MANUFACTURES WHICH COMPETE WITH JAPANESE DOMESTIC PRODUCTION AND MONOPOLISTIC ELEMENTS IN JAPAN'S INDUSTRIAL STRUCTURE OPERATE TO EXCLUDE IMPORT COMPETING LIMITED OFFICIAL USE

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MANUFACTURES.

9. SELECTIVE EXPORT RESTRAINT/IMPORT PROMOTION: JAPAN HAS HISTORICALLY TRIED TO RESOLVE TRADE FRICTIONS WITH HER INDUSTRIALIZED TRADING PARTNERS WITH ADMINISTRATIVE SOLUTIONS SUCH AS EXPORT RESTRAINT ARRANGEMENTS ON A COUNTRY AND/OR PRODUCT SPECIFIC BASIS.

10. PRESSURES FOR SUCH ADMINISTRATIVE SOLUTIONS ON A COUNTRY AND/OR INDUSTRY SPECIFIC BASIS WOULD BE LIKELY TO CROP UP IN OTHER INDUSTRIAL SECTORS AND COUNTRIES NOT PARTY TO "ARRANGEMENTS" TO RESTRICT TRADE. ULTIMATELY, THE RESULT COULD BE A SERIOUS BREACH IN THE OPENNESS OF THE WORLD ECONOMY TO TRADE AND A SERIOUS ADVERSE IMPACT ON PROGRESS IN THE CURRENT ROUND OF THE MULTILATERAL TRADE NEGOTIATIONS.

11. EXCHANGE RATE: IT IS THE POLICY OF THE U.S. GOVERNMENT THAT EXCHANGE RATES SHOULD NOT BE MANAGED FOR TRADE BALANCE OR TRADE POLICY OBJECTIVES. RATHER, RATES SHOULD REFLECT UNDERLYING ECONOMIC CONDITIONS, WITH INTERVENTION PERMITTED ONLY TO COUNTER DISORDERLY MARKETS.

12. JAPAN'S IMPORTS OF MANUFACTURES ON A PER CAPITA BASIS ARE THE LOWEST AMONG THE INDUSTRIALIZED COUNTRIES, EVEN THOSE WITH COMPARABLY LIMITED NATURAL RESOURCE

ECONOMY TO IMPORTS OF MANUFACTURES FROM INDUSTRIAL COUNTRIES WOULD GO A LONG WAY TOWARD RESOLVING THE DIFFICULTIES IMPOSED BY JAPAN'S TRADE SURPLUSES WITH THESE COUNTRIES AND THEIR CONCENTRATION IN PRODUCTS WHICH COMPETE WITH DOMESTIC INDUSTRY AND EMPLOYMENT.

13. EFFORTS IN THIS DIRECTION SHOULD BE UNDERTAKEN IN THE CONTEXT OF THE MTN IF CONTINUING PROBLEMS ARE TO BE AVOIDED IN THE FUTURE.  
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14. THESE EFFORTS SHOULD INCLUDE PRESSING JAPAN TO ELIMINATE THE TWENTY-SEVEN RESIDUAL QUANTITATIVE TRADE RESTRICTIONS WHICH SHE MAINTAINS AND TO ELIMINATE OR SUBSTANTIALLY REDUCE TARIFFS ON THOSE MANUFACTURES IN WHICH SHE IS SELECTIVELY PROTECTIONIST (E.G., COMPUTERS, COLOR FILM). OVERALL, JAPAN'S TARIFFS ON MANUFACTURES AVERAGE SEVERAL POINTS ABOVE THOSE OF HER INDUSTRIALIZED TRADING PARTNERS.

15. JAPAN MAINTAINS OTHER SIGNIFICANT FORMAL NON-TARIFF BARRIERS TO TRADE. JAPAN NEEDS TO BE CONVINCED THAT THE IMPORT RESTRICTIVE EFFORTS OF THESE BARRIERS ARE NOT IN HER BEST INTEREST OR CAPABLE OF JUSTIFICATION.

16. OTHER ENTRY BARRIERS REFLECT THE STRUCTURAL ORGANIZATION OF JAPAN'S INDUSTRIAL/MARKETING SYSTEM AND THE WAY IN WHICH THAT STRUCTURE INFLUENCES BUSINESS CONDUCT IN JAPAN.

17. OWNERSHIP AFFILIATIONS IN THE CHAIN OF PRODUCTION AND DISTRIBUTION OPERATE TO EXCLUDE IMPORTS WHICH REDUCE OR ADVERSELY AFFECT AFFILIATES' INTERESTS. EVEN WHERE OWNERSHIP AFFILIATIONS DO NOT EXIST, CREDIT RELATIONSHIPS CAN HAVE THE SAME IMPORT EXCLUDING EFFECT--THE WITHHOLDING OF CREDIT BEING USED, FOR EXAMPLE, AS A DEVICE TO ENSURE THAT DISTRIBUTORS DO NOT TAKE ON IMPORT COMPETING LINES OF PRODUCTS.

18. IF JAPAN WERE TO BE PRESSED TO MAKE GREATER EFFORTS TO REDUCE THE PRESENCE OF SUCH ANTI-COMPETITIVE ELEMENTS IN THE ORGANIZATION OF THE ECONOMY, THE JAPANESE ECONOMY WOULD BECOME SIGNIFICANTLY MORE OPEN TO IMPORT COMPETING  
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## Message Attributes

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